

**AN OVERVIEW OF CORN, SOYBEAN AND WHEAT  
PRICE AND INCOME SUPPORT PROGRAMS FOR 1990**

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## **POLICY TERMS**

### **NONRECOURSE LOAN**

A loan from the government (Commodity Credit Corporation) to a farmer for nine months using the commodity as collateral. The commodity will generally be defaulted to the government if market price is below loan rate. Loan rate thus becomes a market price support level.

### **BASIC LOAN RATE**

Can decline no more than 5%/year. Eventually could be set by a formula of 75-85% (75% for soybeans) of five-year moving average of prices minus high and low prices. A \$4.50 minimum loan rate exists for soybeans.

### **FINDLEY LOAN RATE**

Secretary of Agriculture's discretionary authority to permit reductions for a crop year of up to 20% in the corn and wheat basic loan rates and of up to 5% in the soybean basic loan rate. A \$4.50 minimum loan rate exists for soybeans.

### **TARGET PRICE**

Minimum levels are established in law for corn and wheat. None is established for soybeans. Determines level of income support.

### **DEFICIENCY PAYMENT**

Income support to farmers based on the difference between target price and market price. (Calculations discussed on next page.) Payment can be made in cash, generic certificates, or commodities.

### **MARKETING LOAN RATE**

Secretary of Agriculture's discretionary authority to allow producers to repay nonrecourse loan at the world market price instead of the original loan rate.

### **GENERIC CERTIFICATES**

Negotiable certificates issued for a specific dollar amount. They can be redeemed for cash or any commodity, except peanuts and tobacco, under nonrecourse loan or government ownership.

### **SET-ASIDE**

Land may have to be set aside (i.e., taken out of production) to qualify for deficiency payments and nonrecourse loans. Set-aside may be paid or unpaid. Level of unpaid set-asides depends on Secretary's discretion, but a maximum is set based on level of stocks.

**INCOME (DEFICIENCY) PAYMENTS  
(CORN USED AS NUMERIC EXAMPLE)**

**DEFICIENCY PAYMENT (BASIC LOAN RATE)**

Always occurs if market price is less than target price.

Equals: target price minus higher of the national average price received by farmers during first five months of crop year for corn or basic loan rate.

Maximum basic deficiency payment for corn in 1990:  $\$2.75 - 1.96 = \$0.79$  (If market price is greater than \$1.96, deficiency payment is smaller).

**DEFICIENCY PAYMENT (FINDLEY LOAN RATE)**

Occurs if Secretary of Agriculture uses discretionary authority to reduce basic loan rate and if market prices are below basic loan rate.

Equals: basic loan rate minus higher of national average market price received by farmers during crop year for corn or Findley Loan Rate.

Maximum Findley payment for corn in 1990:  $\$1.96 - \$1.57 = \$0.39$ . (If market price is greater than \$1.57, deficiency payment is smaller.)

Maximum Total Deficiency Payment if Findley is used:  
 $\$2.75 - \$1.57 = \$1.18$

**MARKETING LOAN PAYMENT**

Can be implemented by Secretary of Agriculture through discretionary authority.

Producers repay loans at the marketing loan repayment rate, which equals the higher of the world market price or 70 percent of the basic loan rate.

Payment may also be made to producers who forego defaulting on nonrecourse loans. Payment rate is the difference between the basic loan rate and marketing loan repayment rate.

**ANNOUNCED PROGRAM PARAMETERS  
FOR  
1989 AND 1990**

**CORN**

	<u>1989</u>	<u>1990</u>
Target Price	\$2.84	\$2.75
Loan Rate	\$1.65	\$1.57
Maximum Deficiency Payment (Target Price-Loan Rate)	\$1.19	\$1.18
Land Set-Aside Required for Program Participation	10%	10%
Paid Land Diversion	none	none

**SOYBEANS**

	<u>1989</u>	<u>1990</u>
Loan Rate	\$4.53	cannot be announced until 8/1/90
Deficiency Payment	none	none
Set-Asides	none	none

**WHEAT**

	<u>1989</u>	<u>1990</u>
Target Price	\$4.10	\$4.00
Loan Rate	\$2.06	\$1.95
Maximum Deficiency Payment	\$2.04	\$2.05
Land Set-Aside Required for Program Participation	10%	5%*
Paid Land Set-Aside	none	none

\* Farmers may plant up to 105% of their wheat base. For every acre in excess of 95% of the base, the acreage used to compute deficiency payments will be cut by one acre.

